House Government Reform Committee
Field Hearing
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Testimony of George Paz
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Good afternoon Chairman Porter and Congressman Clay. My name is George Paz, and I am Chairman, President and CEO of Express Scripts, Inc., a Fortune 150 company based here in St. Louis.

Express Scripts provides pharmacy benefit management services to tens of millions of Americans through its relationships with employers, managed care plans, unions and governmental entities. We employ over 13,000 people across the country and in Canada. Last year we processed more than 475 million prescription claims, and in the last quarter we reported an industry-leading generic fill rate of 56.3 percent.

I am here today to talk about our experiences in electronic health care, and to offer our recommendations for you to consider in your efforts to spur further adoption and utilization of these exciting technologies. I have prepared additional materials which I would like to submit for the record.

Before I begin, let me first congratulate the Congress on your efforts to date. Congressional efforts toward the encouragement of electronic healthcare solutions have created great momentum in both the public and private sectors. Provisions in the Medicare Modernization Act relating to electronic prescribing standards have led to positive dialogue toward standards in both government and the private sector. Inclusion of the directive in the MMA relating to creation of exceptions to the Stark law and safe harbors under the Medicare fraud and abuse laws, have led to positive developments on both fronts which may help to spur adoption.

Also before I begin, let me just clarify that when we talk about electronic prescribing, it is important to note that what we mean is a process by which a prescribing physician, *at the point of prescribing*, has access to current eligibility, formulary, medication history, and other relevant information, in order to inform the prescribing decision and facilitate a discussion with the patient about the costs and benefits of differing treatment options. We are not simply referring to an electronic process to move a prescription from point A to point B.

From the early days of the internet boom, Express Scripts has been working with technology vendors in their pursuit of solutions that would allow physicians to prescribe medications more safely, more efficiently, and more affordably for their patients. Early on, we formed relationships with many of these companies to provide formulary information for our members so that it could be made available to physicians at the point of prescribing. However, as the industry grew, we came to realize that working with each of these companies individually did not maximize efficiency, nor did it allow the industry to maximize the potential of these new technologies. At about the same time, our chief competitors were coming to the same conclusions.

In February of 2001, we formed RxHub with Medco Health Solutions and a company that is now Caremark. The purpose of RxHub was three-fold. First, we wanted to create a common infrastructure to connect many payors and PBMs to many electronic prescribing vendors. Second, we wanted to create transaction standards so that we could conduct electronic prescribing transactions in a standard format across all connected participants. Finally, we sought to create a critical mass of information so that physicians who adopted electronic prescribing technologies could get access to relevant prescribing information for a sizable portion of their patients.

I am proud to say that our vision for RxHub has been achieved. In fact, RxHub now connects six data sources to over 30 technology vendors, and the numbers continue to grow. RxHub led a comprehensive industry-based consensus process that led to the creation of transaction standards for electronic prescribing, and those standards have

become the defacto industry standards. A number of them are currently being pilot-tested in connection with the CMS pilots for recognition of e-prescribing standards for the Medicare program. By adopting electronic prescribing solutions connected to RxHub, physicians today can access information to create safer, more affordable prescriptions for over 150 million Americans.

Nonetheless, our overall vision for electronic prescribing has yet to be fully realized. The industry remains hampered by a patchwork of state laws and regulations that create conflicting demands on prescribers and electronic prescribing vendors. The standards for electronic prescribing envisioned under the Medicare Modernization Act thus far only apply to Medicare, and don't address all of the issues germane to electronic prescribing. Whereas, *we believe*, the MMA envisioned a comprehensive national set of standards for electronic prescribing that would promote broad adoption, the legislative language has been interpreted as essentially creating a 51st set of requirements for Medicare patients as an overlay to the 50 existing state regulatory schemes applicable to electronic prescribing. Because these state laws are not preempted, the Medicare scheme *cannot* drive the market as is sometimes the case. This needs to be fixed.

Another remaining issue, perhaps related, is that electronic prescribing cannot reach its full potential until all physicians adopt it. Getting physicians to adopt the technology has remained more challenging than we had hoped, and the reasons for that are varied. I'll offer just a few here.

First, and perhaps foremost, physicians have generally not been given incentives to transform their paper prescribing to electronic. Adoption has been most successful where payors and/or employers have joined together to help physicians purchase the technology, or offered financial incentives tied to adoption and use of it. In most markets however, no one employer or payor has a significantly large portion of the market to justify paying for technology initiatives that will serve to benefit all patients.

Moreover, in order to make a meaningful impact on overall utilization, adoption initiatives often would need to reach thousands of physicians. While standalone electronic prescribing solutions are relatively inexpensive (in the vicinity of $2,000 per physician for the first year), the cost of providing technology to thousands of physicians is often daunting.

Consequently, physicians must make the decision to adopt, and fund it on their own. But many physicians believe they should not be required to fund the technologies themselves, since most of the financial benefit from enhanced prescribing accrues to payors, employers, and patients. These issues could be solved, either through a funded mandate, or better-aligned incentives for physicians. Given the new Medicare drug benefit, the federal government has as much at stake as anyone.

Another issue facing physicians is what to adopt. The significant and growing interest in Health IT by the federal government over the past few years has drawn great attention – and has spurred the industry to further develop technologies and pursue interoperable solutions. At the same time, the sheer volume of activity in the industry and in Washington have left many wondering what the outcome would be. The push toward electronic personal health records, interoperable electronic medical records and regional health information organizations, combined with federal initiatives like the pursuit of a National Health Information Infrastructure, the American Health Information Community, and various legislative proposals, have left some physicians afraid to adopt any technology for fear of it becoming obsolete in the near future.

This is unfortunate. Workable solutions exist today, and should not wait. Perfect, in the form of interoperable health records for every American, should not become the enemy of good. Good can be achieved today, by improving quality and reducing costs in connection with prescription medications, through electronic prescribing. What's more, in addition to the immediate benefits that are achievable through broad adoption of electronic prescribing, it is also a good first step for clinicians toward more sophisticated solutions.

The adoption of electronic prescribing is relatively simple. The technology generally is compatible with existing office systems used by physicians, installation is relatively easy, and the learning curve for using the solutions is quick. At most, physicians need a little extra time to get used to using a stylus and a handheld computer, rather than paper and a pen. More importantly, adoption of the technology does not disrupt other physician office systems. Existing records remain, but are augmented by electronic prescribing solutions.

In contrast, for a physician to adopt a full electronic medical record system, the entire office needs to be transformed. While the transformation is certainly achievable, and solutions are becoming increasingly sophisticated, it is often daunting for physicians. Entire rooms of paper records need to be digitized for future access, or a hybrid system would need to be adopted to accommodate the physician's need to see the historical record in order to make current treatment decisions. In that instance, physicians would need to access *both* a paper and an electronic medical record. Many physicians simply cannot face the expense or the disruption of such a major paradigm shift. This has major implications for the ability of our health care system to tackle the problem. Today, physicians trained using electronic records often have had to learn to use a paper system when they joined an existing practice. It is not a simple problem, and a subset of patients with electronic personal health records won't be enough to push a physician to make the transition.

Until electronic medical records are widespread in physician offices, we believe the push toward electronic personal health records may be misplaced. While greater patient involvement in their own health care is a laudable goal, without an interoperable system through which physicians can easily interact with such records, they aren't likely to succeed in enhancing efficiency and safety in the delivery of care. Ultimately, it will only recreate the current system in which it is incumbent on patients to inform their physicians of existing medical conditions and prior history. Having a new system to achieve that, whether through printouts or web access, may not add much. Patients who

utilize them may be better equipped to be advocates for their own better care, though many may elect not to use them given that their physicians won't be able to do much with them.

In contrast, getting physicians to prescribe electronically will create great impact for our entire health care system. Internal unpublished research at Express Scripts has estimated that just a single percentage point increase in generic utilization creates approximately a one percent savings in overall drug spend. Electronic prescribing has been shown in a number of published studies to help physician increase generic utilization by multiple percentage points.

As important, the recent Institute of Medicine Report, *Preventing Medication Errors* (IOM, 2006), estimates that there are *at least* 1.5 million preventable adverse drug events per year, creating cost in excess of $3.5 billion. That report lists a number of potential solutions which may help bring this problem under control. Among the offered solutions are the adoption of electronic solutions by prescribers, and greater patient involvement in their own care. These are achievable goals. Many electronic prescribing solutions integrate solutions which allow patients to provide inputs as to their own medications, including over-the-counter medications, which are then readily accessible to physicians using the system. These solutions are available today. They are affordable, and they have great potential for transforming the cost and quality of care.

We urge you to look closely at these solutions as you deliberate about how programs for federal employees can spur change in our entire health care system.

In closing, let me reiterate our principal recommendations:

First, we believe it is imperative to clearly establish a comprehensive, federal *preemptive* set of standards for electronic prescribing, leveraging industry experience and the workable processes adopted by standards development organizations.

Second, we urge you to help find ways to either assist physicians with the cost of adoption of electronic prescribing, or implement appropriate incentive arrangements for them to adopt on their own, and help push physicians toward adoption of electronic prescribing as a logical first step toward capturing the advantages of e-health.

Finally, we recommend that any federal efforts toward the encouragement of other e-health solutions such as personal health records or electronic medical records, make explicitly clear that all solutions must be developed to be compatible with the e-prescribing standards, so that physicians will be confident when adopting electronic prescribing that other developing technologies will be compatible.

Thank you for having me here today.